U.S. Legacy Income Trusts vs. Charitable Gift Annuities

Charitable Gift Annuities (CGAs) are fixed-rate annuity contracts entered into between a sponsoring charity and a donor, with the charity promising to pay a fixed amount at least annually for the life of one or two income beneficiaries designated by the donor in exchange for a contribution to the charity. Distribution rates vary based on the age at funding and number of designated income beneficiaries, with higher rates paid on CGAs with older income beneficiaries. Most charities offer rates suggested by the American Council on Gift Annuities (ACGA). Payments to income beneficiaries may be deferred for a period of years determined by the donor.

Potential advantages of U.S. Legacy Income Trusts over Charitable Gift Annuities

- Higher charitable income tax deductions for U.S. Legacy Income Trust (Trust)[1] donors. See comparative calculator available at uscharitablegifttrust.org/USLitcalculator
- Higher anticipated Trust distribution rates than paid on CGAs with a single income beneficiary below age 68-76 at funding or joint income beneficiaries below ages 74-82 (based on ACGA-suggested rates)[2]
- Opportunity for Trust distributions to increase over time with inflation[3]
- More favorable anticipated tax treatment of Trust distributions versus distributions from CGAs funded with appreciated assets[4]
- For a donor designating someone else as an income beneficiary, lower valuation of the designated income interest for federal gift tax purposes[5]
- No requirement for Trust donors to be income beneficiaries to avoid gain recognition on contributions of appreciated assets
- Maximum of ten permissible income beneficiaries for each Trust account versus two per CGA contract
- More charitable giving options; ability to support charities that do not offer CGAs

[1]For purposes of this document, the "Trusts" comprise the U.S. Legacy Income Trusts established in 2022 as part of the U.S. Legacy Income Trust program of U.S. Charitable Gift Trust (Gift Trust), which the Gift Trust established in 2019.

[2]Comparison based on immediate-pay (vs. deferred) CGAs and anticipated Trust distribution rates. Joint income beneficiaries are assumed to be the same age. Not all charities may use ACGA-suggested rates for their CGA offerings.

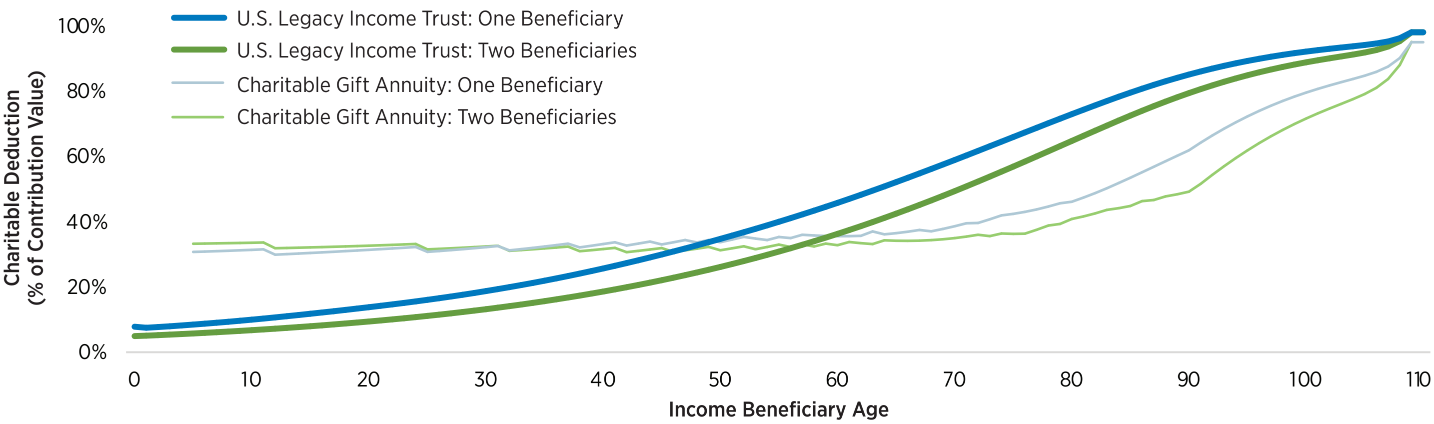
[3]Distributions to Trust income beneficiaries may fluctuate with changes in economic conditions, may not grow at rates consistent with inflation and may decline. Distributions to CGA income beneficiaries are general obligations of the sponsoring charity subject to its claims-paying ability.

[4]Trust distributions are expected to be taxed primarily as qualified dividend income (QDI), at federal income tax rates up to 23.8% for individual taxpayers subject to the 3.8% net investment income (NII) tax. The tax treatment of distributed Trust income may vary. CGA distributions funded from cash contributions are, over the actuarial life expectancy at contribution of the recipient, treated partially as tax-free return of principal and partially as ordinary income taxed at federal income tax rates up to 40.8% for individual taxpayers subject to the NII tax. For CGA distributions funded from contributions of appreciated property, all or a portion of the tax-free component is recharacterized as capital gain. For CGA income beneficiaries who outlive their life expectancy at contribution, distributions thereafter are all taxable as ordinary income.

[5]When a donor makes a contribution to a Trust account with multiple individual income beneficiaries, the federal gift, estate and generation-skipping transfer (GST) tax consequences may be more complicated. All donors should consult their own tax advisors regarding potential federal, state, local or non-U.S. gift, estate, GST, inheritance and other tax consequences of their contributions to a Trust.

U.S. Legacy Income Trusts offer higher charitable deductions than Charitable Gift Annuities

Allowable charitable deduction for donors (% of contribution value)



Itemized federal income tax deduction available to individual taxpayers for contributions in October 2024 to a Trust and charitable gift annuities (CGAs) with one and two life income beneficiaries. CGA distributions are assumed to begin upon funding and paid monthly at annual rates equal to the current maximum rates suggested by the American Council on Gift Annuities. CGAs are subject to the requirement that the allowable charitable deduction as determined pursuant to applicable Treasury regulations must equal at least 10% of the contributed property value, which limits participation opportunities for younger income beneficiaries. Income beneficiary age is determined based on his or her nearest birthday as of the date of contribution. For two income beneficiaries, they are assumed to be the same age. Current-year individual tax deductions are generally limited to 60% of adjusted gross income (AGI) for cash contributions to qualified charitable organizations and 30% of AGI for contributions of appreciated capital gain property, with the balance carried forward for up to five years after the year the contribution is made. In addition to the federal income tax deduction for qualified charitable contributions, 30 states and the District of Columbia permit, subject to applicable limitations, individual resident taxpayers to deduct or receive a tax credit for qualified contributions to charity (see https://www.uscharitablegifttrust.org/tax-treatment-of-charitable-contributions.php).

Important Information and Disclosures

The Trusts are pooled income funds described in Internal Revenue Code Section 642(c)(5) established in 2022 by the Gift Trust as part of the Gift Trust's U.S. Legacy Income Trust program, which it established in 2019. The Gift Trust is a tax-exempt public charity sponsored by Eaton Vance Management (Eaton Vance) that offers donor-advised funds. Eaton Vance Trust Company serves as Trustee (Trustee) of the Gift Trusts and the Trusts and is the investment adviser of the Trusts and the common trust fund into which the Trusts invest. All Trust activities and the participation of Donors and income beneficiaries in the Trusts are subject to the requirements of state and federal law, the terms and conditions of the Trusts' Declarations of Trust, the Trusts' current Information Statements (Information Statements) and the completed Donor Contribution Form and/or Additional Contribution Forms submitted by each Donor. The Board of Directors of the Gift Trust reserves the right to modify the Trusts' program at any time, subject to the provisions of the Trusts' Declarations of Trust and state and federal law. To comply with federal law applicable to pooled income funds, the Trusts do not accept contributions of federally tax-exempt securities or shares of funds holding federally tax-exempt securities. The Trusts also do not accept contributions of securities that have been held by a Donor for one year or less and do not ordinarily accept contributions of privately held or restricted stock. All transferred property must also be free and clear of any liens, encumbrances or other adverse claims. Any contribution to a Trust, once accepted by the Trustee, represents an irrevocable commitment. Contributions cannot be rescinded or changed, and are subject to the exclusive legal control of the Trusts, the Trustee and the Gift Trust's Board of Directors. Donors to the Trusts should be motivated by charitable intent. As charitable giving vehicles, the Trusts should not be treated as, and are not designed to compete with, investments made for private gain. An intention to benefit the Gift Trust and one or more qualified charitable organizations eligible for support by the Gift Trust should be a significant part of the decision to contribute to a Trust. The tax consequences of contributing to a Trust will vary based on individual circumstances. Prospective Donors should consult their own tax advisors. Nothing in this document or the Information Statements should be construed as tax advice. Distributions to income beneficiaries are not guaranteed by any party, are subject to investment risk, may fluctuate with changes in economic conditions, may not grow over time at rates consistent with inflation and may decline. In considering potential changes in target annual distribution rates, the Trustee will assess the Trusts' long-term earnings potential and seek to balance the interests of current and future income beneficiaries and the charitable remainder interests. Neither the Trusts nor the Gift Trust has been registered under federal securities laws, pursuant to available exemptions. Neither the Trusts nor the Gift Trust is guaranteed or insured by the United States or any of its agencies or instrumentalities. Contributions are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of, or guaranteed by, any depository institution.

Eaton Vance Distributors, Inc. (Placement Agent) is a paid solicitor of certain Trusts and the Gift Trust, receiving compensation as described in the Information Statements and in the Gifting Booklet of the Gift Trust's donor-advised funds.

U.S. Legacy Income Trusts®